

Honorable Mary Alice Theiler

UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF WASHINGTON AT SEATTLE

PROPET USA, INC.,

Plaintiff,

v.

LLOYD SHUGART,

Defendant.

No. C06-0186 MAT

DEFENDANT'S OPPOSITION
TO PLAINTIFF'S MOTION FOR
SUMMARY JUDGMENT

**NOTE ON MOTION
CALENDAR:** July 13, 2007

Defendant Lloyd Shugart ("Mr. Shugart"), through undersigned counsel, hereby opposes Plaintiff Propet USA, Inc.'s Motion for Summary Judgment.

Because Propet's motion is largely a rehash of its earlier filed motion for summary judgment that was properly denied by this Court on May 3, 2007 (Docket # 66), Mr. Shugart hereby incorporates herein the various declarations, exhibits and arguments previously made of record in his opposition to Propet's earlier motion (Docket #61-63). As demonstrated herein, genuine issues of material fact exist and preclude summary judgment as a matter of law. Accordingly, Propet's motion should be denied.

I. INTRODUCTION

This case concerns the unauthorized use and distribution by Propet USA, Inc. ("Propet") of certain photographic images created by professional photographer Lloyd

1 Shugart. The principal background facts demonstrating such unauthorized use by Propet are
2 largely undisputed.

3 There is no dispute that Mr. Shugart is the copyright owner of the photographs at
4 issue. Indeed this Court has already ruled to that effect in its prior order granting Mr.
5 Shugart's own motion for summary judgment. The dispute arises over what rights Propet
6 received from Mr. Shugart. Mr. Shugart does not claim that Propet received no rights
7 whatsoever to use the subject photographs. Obviously, in return for the money he was paid,
8 Mr. Shugart granted Propet permission to make limited use of those photographs. This case,
9 however, concerns Propet's *unauthorized* use of the images far beyond the geographic and
10 temporal limits granted. In particular, Propet was granted permission to use the photographs
11 according to the terms of a standard Film Delivery Memo that Mr. Shugart used in connection
12 with all his clients. As Propet's own motion demonstrates, there is not only a question of fact
13 as to whether Propet had knowledge of and accepted the Film Delivery Memo, but even as to
14 the very existence of the Film Delivery Memo itself.

15 Propet's underlying motion is a thinly veiled attempt to have this court revisit and
16 withdraw its earlier order properly denying Propet's motion for summary judgment of non-
17 infringement. (Dkt # 66). Although discovery is now complete, the evidence that the Court
18 has before it clearly demonstrates that there still remain genuine issues of material fact that
19 preclude a grant of summary judgment as to Mr. Shugart's counterclaims based on Propet's
20 assertion of an implied, non-exclusive license. Accordingly, Propet's Motion for Summary
21 Judgment must be denied.

22 II STATEMENT OF DISPUTED FACTS

23 The facts essential to the question of whether a genuine dispute over material facts
24 remain in issue are set out below and are supported by the declarations of Mr. Jon Payne and
25 Mr. Lloyd Shugart, recorded at Dkt # 62 and 63, and attached hereto as Exhibits A and B
26 respectfully.
27

1 Propet claims never to have seen any of the writings provided by Mr. Shugart
 2 restricting use of his copyrighted images and claims to have no record or knowledge
 3 concerning them despite the fact that Mr. Shugart and Propet worked together over several
 4 years and despite the fact that Mr. Shugart always used the same contracts and licenses in his
 5 business. Hawkins Decl. ¶5. However, Mr. Shugart declaration testimony clearly establishes
 6 that he provided each set of images to Propet pursuant to a "Film Delivery Memo." The Film
 7 Delivery Memo, in turn, expressly provides that, "Grant of reproduction rights hereunder is
 8 conditioned upon [Propet's] acceptance of each term set forth in this agreement," and that
 9 "All rights not expressly licensed to [Propet] in writing remain the exclusive property of [Mr.
 10 Shugart]." Propet's unsubstantiated claim that it never saw these documents is not
 11 dispositive.

12 Moreover, each set of images were delivered in a sealed package that bore a notice of
 13 Mr. Shugart's rights. Shugart Decl. ¶8. The seal of the film delivery package expressly
 14 states:

15 Notice:

16 All film and or images contained herein are the exclusive property of
 17 Lloyd Shugart, to which Lloyd Shugart retains and holds all rights under
 18 copyright laws.

19 Client use and license is subject to all terms of the FILM DELEVERY
 20 MEMO.

21 Terms shall be deemed accepted by Client as acknowledged by written
 22 approval and/or the use of the photographs provided by Photographer

23 Propet claims to have no evidence it saw any of Mr. Shugart's seals. Hawkins Decl. ¶5. The
 24 facts, however, demonstrate otherwise.

25 When Mr. Shugart's prior attorney, Mr. Jon Payne, asked Propet to return the various
 26 films that Mr. Shugart previously delivered to Propet, *Propet's own counsel* returned a film
 27 delivery box having the printed seal affixed across the top lid box in such a way that the box
 could not be opened without tearing the label. Significantly, the seal notice on the returned
 film delivery box torn, indicating that the package had been opened some time before receipt

1 by Mr. Payne. *See* accompanying Payne Declaration. Thus, Propet's claim that it had no
2 notice of the film delivery seal (which references the Film Delivery Memo) is completely
3 undermined by the clear fact that Propet had the box with its notice in its possession and that
4 Propet opened the box at some point before returning it to Mr. Shugart. At the very least,
5 there is a genuine issue of material fact as to Propet's state of mind at the time it opened the
6 box and whether it understood the clear language of the notice. If summary judgment is
7 appropriate, the Court should find that this issue should be resolved in Mr. Shugart's favor.
8 There is no question that the seal notice was, in fact, included on the film delivery boxes
9 delivered to Propet. Nor is there any question that Propet was well-aware of the notice. The
10 fact that Propet's own counsel had the box and seal in his possession and returned it to Mr.
11 Shugart's prior counsel eliminates all question in that regard.

12 As further established by Mr. Shugart's declaration, when his digital images were
13 delivered on CDs, the envelope also contained a seal and a notice of Mr. Shugart's copyright
14 on the face of every CD. Every time the CD is loaded into a computer, a proper copyright
15 notice is displayed, including "Studio 413," the copyright symbol "©" and the year.
16 Individually, each of the digital images has Mr. Shugart's copyright information embedded
17 into the digital image files so that anytime the digital images are loaded into a page or photo
18 editing software, a copyright notice will show. Propet's continued refusal to return these CDs
19 does not mean they do not exist. *See* Shugart Decl. ¶¶ 10-14.

20 Mr. Shugart also recalls that Mr. Ken Johnson of Propet called him to ask for a
21 "release" authorizing Propet to scan the images. In particular, Propet had retained a third-
22 party scanning company to scan the images, and the company retained by Propet noticed Mr.
23 Shugart's copyright notice on the images. The company very properly did not want to
24 proceed with the scanning project absent a release from Mr. Shugart. Mr. Shugart advised
25 Mr. Johnson to use the previously supplied Film Delivery Memo as the release. Mr. Johnson
26 did not ask further questions about the Film Delivery Memo nor did Mr. Johnson request a
27 copy of the Film Delivery Memo, no doubt because one was readily available to Mr. Johnson.

1 Indeed, there were no other conversations between Mr. Shugart and Mr. Johnson about the
2 needed release, indicating that the question was resolved and the third-party scanner was
3 satisfied. When these sets of images were returned to Mr. Shugart, he noticed his Film
4 Delivery Memo contained within the returned box, specifically in an envelope from the
5 scanning company returning the images, indicating that the Film Delivery Memo had, in fact,
6 been provided by Propet to the scanning company. The box also contained film envelopes
7 with broken seals. Shugart Decl. ¶¶ 12, 13.

8 In view of the foregoing, Propet clearly received and had knowledge of the Film
9 Delivery Memo and the seal placed on each film delivery box. In light of Mr. Shugart's and
10 Mr. Payne's declaration testimony, and Exhibit A attached to Mr. Payne's declaration, there is
11 no question that Propet had and was aware of the both the Film Delivery Memo and the
12 notice. Either of these documents is sufficient to establish that Propet did not get the
13 unfettered right to use the photographs as it pleased but instead only to do so as provided by
14 the Memo.

15 There is no question that Mr. Shugart obtained copyright registrations on his subject
16 photographs from the United States Copyright Office and that the effective date of those
17 registrations is April 10, 2006. There is also no question that Propet's unauthorized
18 reproduction of Mr. Shugart's copyrighted images has taken place after that effective date. In
19 particular, Propet has created and continues to maintain Internet websites, even through today,
20 wherein Mr. Shugart's images are reproduced and available. Infringement of any of the
21 exclusive rights specified by As provided by 17 U.S.C. §501(a), "Anyone who violates any of
22 the exclusive rights of the copyright owner as provided by sections 106 through 122, ...is an
23 infringer of the copyright...." Propet's ongoing and continuing reproduction of Mr. Shugart's
24 copyrighted images subsequent to the effective date of his copyright registrations constitutes
25 infringement after the date thereof, thereby entitling Mr. Shugart at least to statutory damages
26 and attorneys fees as provided by 17 U.S.C. §§ 412, 504 and 505.

III ARGUMENT AND AUTHORITY

Summary judgment under CR 56(c) can only be granted when there is no genuine issue of material fact and that the moving party is entitled to judgment as a matter of law. *Wilson v. Steinbach*, 98 Wn.2d 434, 437, 656 P.2d 1030 (1982). The initial burden is upon the moving party to show the absence of a genuine issue of material fact. *Celotex Corp. v. Catrett*, 477 U.S. 317, 323, 106 S.Ct. 2548 (1986). A genuine dispute over a material fact exists if there is sufficient evidence supporting the claimed factual dispute, requiring a judge or jury to resolve the differing versions of the truth. *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 253, 106 S.Ct. 2505 (1986). In determining if summary judgment is appropriate, the court must consider all evidence and inferences in a light most favorable to the non-moving party. *Davis v. Niagara Mach. Co.*, 90 Wn.2d 342, 348, 581 P.2d 1344 (1978).

A. There are Genuine Issues of Material Fact as to Whether Propet Received an Implied License from Mr. Shugart.

Propet in its motion argues that the lack of documentation between the parties puts Propet in the position of a non-exclusive licensee. Propet's reliance on *Effects Associates, Inc. v. Cohen* 908 F.2d 555 (9th Cir. 1990), overlooks the underlying document that is at issue --- the Film Delivery Memo. Contrary to Propet's suggestions, this case is not one wherein there is complete absence documentation. The Film Delivery Memo is as an express license. Accordingly, *Effects* does not control in situations where there is an express license. *Fosson v. Palace (Waterland), Ltd.*, 78 F.3d 1448, 1455 (9th Cir. 1996).

Propet had knowledge, accepted, and is bound to the term and conditions of the Film Delivery Memo. Propet argues Mr. Shugart cannot bind it to the Film Delivery Memo because there is no evidence that it has accepted the additional terms and conditions imposed by the Film Delivery Memo. However, evidence of Propet's actual knowledge can be found in the films that were returned to Mr. Shugart and his former counsel, Mr. Jon Payne and in particular the torn label affixed thereto. As evidenced by Mr. Payne's declaration, the materials returned to Mr. Payne by Propet included a film delivery box with a broken seal that

1 was affixed to the top of the box. Payne Decl. ¶¶ 4 - 5. Not only did Propet have the film
 2 delivery box bearing the notice, Propet broke the seal to get at the contents of the box.¹
 3 Furthermore, the notice makes reference to the Film Delivery Memo and does so in
 4 prominent, capital letters that stand out from the notice and cannot be missed. If it is true that
 5 Propet did not have the film delivery memo – something Mr. Shugart vigorously contests –
 6 clearly the prominent reference to the “FILM DELIVERY MEMO” that indisputably *did* get
 7 before Propet should have been sufficient to put Propet at least on inquiry notice as to what
 8 that memo was and what terms it contained. Again, and at the very least, Propet’s state of
 9 mind concerning the Film Delivery Memo and the seal Notice – and what it understood it
 10 could and could not do under its license with Mr. Shugart – are material factual issues
 11 inappropriate for disposition by way of summary judgment.

12 As set out in Mr. Shugart’s declaration, a set of the subject images were also returned
 13 to him by Propet. Included with the images returned to Mr. Shugart by Propet was a copy of
 14 the Film Delivery Memo and several opened film delivery envelopes. Shugart Decl. ¶13.

15 Although Propet claims not to have received or seen any such memo or seal, and thus
 16 could not have accepted any of the terms, there is ample evidence that proves to the contrary.
 17 As the existence of the Film Delivery Memo is clearly central to the issues in this case, that
 18 question alone is sufficient to defeat Propet’s motion. Given the strength of the evidence
 19 supporting not only the existence of the Film Delivery Memo but Propet’s actual or
 20 constructive knowledge of it, if anything, that point should now be resolved in Mr. Shugart’s
 21 favor.

22 Here genuine issues of material facts exist, requiring a judge or jury to resolve the
 23 differing versions of the truth. *Anderson v. Liberty Lobby, Inc.*, 477 U.S. at 253.

27 ¹ There is no question that Propet did, in fact, make use of the images that were contained in the box.

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IV. CONCLUSION

For the aforementioned reasons, there remain issues of material fact which preclude a finding of summary judgment for Propet. Accordingly, its motion must be denied.

Dated this 9th day of July, 2007.

/s/ Philip P. Mann

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CERTIFICATE OF SERVICE

I hereby certify that on the 9th day of July, 2007, I electronically filed the foregoing with the Clerk of the Court using the CM/ECF system which will send notification of such filing to the following:

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James L. Phillips james.phillips@millernash.com,

Dated this 9th day of July, 2007.

/s/ Eryn Y. K. Deblois

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